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FM AMEMBASSY RIYADH
TO RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUEHC/SECSTATE WASHDC PRIORITY 0650
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE PRIORITY
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U.S. DEPARTMENT OF THE TREASURY FOR JANICE GARDNER AND
DANIEL GLASER

E.O. 12958: DECL: 04/13/2019
TAGS: [ECON](#) [PREL](#) [ETTC](#) [KTFN](#) [SA](#)
SUBJECT: SAUDI MINISTRY OF THE INTERIOR ON REGULATING
CHARITIES

Classified By: CDA DAVID RUNDELL FOR REASONS 1.4 (B) AND (D)

¶1. (S/NF) Summary: On March 31, FinAtt, DepFinAtt, and GRPO officers met with members of Saudi Arabia's Ministry of Interior (MOI) to respond to their request for information on charity regulation. The MOI's Mabahith had requested information explaining how the U.S. regulates U.S. charities sending funds overseas. Mabahith's COL Mubarak al-Shahrani chaired the meeting and was accompanied by Captain Muhammad al-Qaisi, a MOI representative on Saudi Arabia's Permanent Counterterrorism Committee (PCTC).

¶2. (S/NF) Treasury and GRPO officers provided a detailed overview of the multifaceted U.S. regulatory structure that is designed to stop terrorist financing via charities while still protecting the donor community, an experience that Saudi officials appeared to be interested in learning from as they craft their own detailed regulations. Treasury provided a binder of documents detailing the USG approach to terrorist financing and charities regulation. End summary.

Charitable Regulation

¶3. (S/NF) At a March 31 meeting, SAG officials from the Ministry of Interior described the Saudi Arabian Government's (SAG) effort to create a Charities Commission and stated that MOI was reaching out to both the UK and the U.S. governments for information on charities regulation. Their intent seemed to be to benefit from USG experiences as the SAG establishes a regulatory framework for its charities. They stated the SAG did not have a time limit for the establishment of the Charities Commission and would only institute it when they were certain it could effectively address terrorist financing and protect the donor community.

¶4. (S/NF) The SAG officials stated that Saudi Arabia's current regulations on this are 16 years old and require updating. They acknowledged that some Saudi charities have been abused and utilized for "personal gain," and noted that as a result, charitable organizations based in Saudi Arabia have been prohibited for the past six years from moving funds outside the Kingdom. They said the SAG is taking an interagency approach - including the MOI, the Central Bank, and other agencies - toward fixing this regulatory problem. They also mentioned the challenge they faced in balancing charitable regulation with their religious duty to give to charity, or zakat, one of the five pillars of Islam.

¶5. (S/NF) The SAG officials asked detailed questions regarding which agencies in the USG monitor international transfers by U.S.-based charities, how to monitor the

movement of cash via ports of entry, and the process by which individuals and entities are added to and removed from sanctions lists. They asked how a charity in the U.S. is legally formed and who inspects the activities of the sector, largely covered in the U.S. by the IRS. Treasury noted that enforcement in the U.S. was not limited to terrorism charges; for example, the USG has used immigration or tax violations against those found donating to or raising money for banned organizations.

¶6. (S/NF) The SAG officials asked about foreign branches of U.S.-based charities and, in particular, who is responsible for overseeing these branches. The officials repeated the SAG mantra that the host government was responsible for branch office activities, although they admitted that government officials in poor countries were easy to bribe - making local enforcement unlikely. They asked about the relationship between U.S. regulators and the host country government, and the involvement of U.S. embassies in monitoring the work of U.S. charities operating overseas.

¶7. They expressed appreciation for the substantive documentation provided by Treasury, asked for electronic copies on CD for easier translation, and requested a compilation of the USG statutes relevant to the regulation of charities.

Comment

¶8. (S/NF) The Saudi officials displayed a deep and sophisticated awareness of the problem of terrorist financing

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via charities. They were frank about the challenges facing Saudi Arabia in this field and asked probing policy questions, revealing the struggle the SAG faces as it works to cut off terrorist financing via NGOs while still protecting a key pillar of Islam - and therefore of Saudi society - the giving of charitable contributions. The Saudi officials seemed to be considering a solution that will allow them to review and approve individual transfers.

¶9. (S/NF) When pressed to say when the SAG would stand up the long awaited Charities Commission, the officials explained that the launching of the Commission will result in the resumption of international funds transfers by Saudi-based charities. The SAG officials insisted that these gates would not be opened until the proper regulatory structure is in place that will ensure NGO funds will not support terrorism.

¶10. (S/NF) This interest by the MOI in charities regulation tracks with comments the Economic Section recently heard from the Ministry of Social Affairs to the effect that the Charities Commission would be authorized as part of a larger law governing civil society, and that this law had recently been forwarded by the Council of Ministers to the Cabinet for either final approval or return to the Council for further revision. End Comment.

RUNDELL